

AMENDED IN SENATE AUGUST 5, 2014

AMENDED IN ASSEMBLY MAY 23, 2014

AMENDED IN ASSEMBLY MARCH 28, 2014

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

## ASSEMBLY BILL

**No. 1656**

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**Introduced by Assembly Member Dickinson**

February 11, 2014

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An act to add Section 14669.16 to the Government Code, relating to the Department of General Services.

### LEGISLATIVE COUNSEL'S DIGEST

AB 1656, as amended, Dickinson. Department of General Services: State Board of Equalization headquarters.

Existing law creates the Department of General Services to provide centralized services, including, but not limited to, planning, acquisition, construction, and maintenance of state buildings and property, purchasing, printing, architectural services, administrative hearings, and accounting services. Existing law provides that the ~~Department of General Services~~ *department* is under the control of an executive officer known as the Director of General Services.

This bill would authorize the ~~Director of General Services, department,~~ in consultation with the State Board of ~~Equalization, Equalization (BOE),~~ to enter into one or more agreements for the planning, design, construction, and acquisition of facilities, including any improvements, betterments, and related facilities, and to enter into ~~a lease-purchase or one or more agreements to acquire, construct, purchase, lease-purchase, or may enter into~~ a lease with an option to purchase, for the relocation and consolidation of the ~~State Board of~~

~~Equalization~~, BOE according to specific conditions. *The bill would require the department to determine whether it is in the best interest of the state to sell, lease to other tenants, or exchange the current BOE headquarters property and to notify the chairs of the fiscal committees of the Legislature and the Joint Legislative Budget Committee, or their designees, of the most cost-effective option. The bill also would authorize the State Public Works Board to issue revenue bonds, negotiable notes, or negotiable bond anticipation notes to finance the acquisition of land and facilities for the headquarters, and would permit the State Public Works Board and the department to borrow funds for project costs from the Pooled Money Investment Account, as specified. The bill would require the Department of General Services department to be reimbursed for the cost of entering into these agreements or leases in an amount not to exceed \$3,000,000 from a loan of funds in the Architecture Revolving Fund, as specified. The bill also would authorize the State Board of Equalization BOE to relocate and consolidate its offices without obligation to pay rent on the existing state-owned or state-leased facilities after they are vacated.*

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. The Legislature hereby finds and declares all of
- 2 the following:
- 3 (a) Located in the City of Sacramento, the state owns
- 4 approximately 2.50 acres of real property on one city block
- 5 bounded by N Street on the north, 5th Street on the east, O Street
- 6 on the south, and 4th Street on the west, that is the State Board of
- 7 Equalization's current state-owned headquarters. The state-owned
- 8 facility is a 24-story building that contains approximately 616,000
- 9 gross square feet, with 463,000 usable square feet of office space.
- 10 The ground floor contains a full-service cafeteria and a child care
- 11 center. The state-owned facility also includes a three-story parking
- 12 structure with 711 spaces.
- 13 (b) The State Board of Equalization collects taxes and fees that
- 14 provide approximately 35 percent of the annual revenue for state
- 15 government and essential funding for cities, counties, and special
- 16 districts. In the 2012–13 fiscal year, the State Board of
- 17 Equalization-administered tax and fee programs produced \$56

billion for education, public safety, transportation, housing, health services, social services, and natural resource management.

(c) The current State Board of Equalization headquarters building lacks sufficient space to meet the State Board of Equalization's existing and future consolidated space needs.

(d) The state has expended approximately \$65 million in taxpayer dollars over the last decade to make repairs to the State Board of Equalization building. The State plans to spend another \$30 million or more to address new issues with the building.

(e) Consolidating the various State Board of Equalization headquarters and annexes into one location will greatly facilitate and improve the efficiency of the administrative operations of the agency.

(f) Allowing the State Board of Equalization to move out of the real property described in subdivision (a) permanently and to consolidate its operations into one location will accommodate future growth as part of its revenue-administrative mission.

SEC. 2. Section 14669.16 is added to the Government Code, to read:

14669.16. (a) *For purposes of this section, the "Sacramento property" means the 2.50 acres of real property, owned by the state and located in the City of Sacramento, on one city block bounded by N Street on the north, 5th Street on the east, O Street on the south, and 4th Street on the west, that is the State Board of Equalization's current state-owned headquarters.*

(a)

(b) (1) Notwithstanding any other law, the ~~Director~~ *Department* of General Services, in consultation with the State Board of Equalization, may enter into one or more agreements for the planning, design, construction, and acquisition of facilities, including any improvements, betterments, and related facilities, for the relocation of the State Board of Equalization in the Sacramento region. The ~~Director~~ *Department* of General Services may enter into a ~~lease-purchase~~ *one or more agreements to acquire, construct, purchase, lease-purchase, or may enter into a lease with an option to purchase* purchase, to provide usable office and related space in the Sacramento region in order to consolidate various departments of the State Board of Equalization into a single location.

(2) The Department of General Services shall solicit and accept proposals for acquiring or constructing consolidated facilities for the State Board of Equalization on the basis of the best value. For purposes of this paragraph, “best value” means a value determined by objective criteria, including, but not limited to, price, features, functions, life-cycle costs, experience, and other criteria deemed appropriate by the department.

(3) The Department of General Services shall develop the terms and conditions of the agreements or leases authorized by paragraph (1) no later than December 31, 2015.

*(4) The acquisition of a new facility and sale of the existing facility may be handled separately or combined into one proposal. The Department of General Services may solicit and accept proposals and may enter into one or more agreements for the sale, exchange, lease, rehabilitation, or any combination thereof, of all or a portion of the Sacramento property for the purpose of providing office space to one or more entities.*

~~(b)~~

(c) The Department of General Services shall provide notice of the terms and conditions of the proposed agreements or leases to the chairs of the fiscal committees of the Legislature and the Joint Legislative Budget Committee, or their designees, at least 45 days prior to executing the agreement for a lease-purchase or lease with an option to purchase real property authorized by this section. The department may proceed with the agreement or lease 45 days following the date the department gave notice to the above-mentioned chairs.

*(d) The department shall determine whether it is in the best interest of the state to sell, to lease to other tenants, or to exchange the Sacramento property. The department shall notify the chairs of the fiscal committees of the Legislature and the Joint Legislative Budget Committee, or their designees, of the most cost-effective option for the state.*

*(e) (1) Upon the Department of General Services making the determination specified in subdivision (d) that the Sacramento property should be either sold or leased to another tenant, the department may sell, exchange, lease, or any combination thereof, all or a portion of the Sacramento property. Upon sale, exchange, or lease of the Sacramento property, and subject to the requirements of Section 9 of Article III of the California*

1 *Constitution, the Department of General Services shall make an*  
2 *early payoff of the total outstanding lease revenue bonds on the*  
3 *Sacramento property, including accrued interest and any other*  
4 *obligations associated with the Sacramento property, using the*  
5 *revenues resulting from any sale, exchange, or lease.*

6 *(2) (A) If the Department of General Services sells the*  
7 *Sacramento property and the sale constitutes a sale of surplus*  
8 *state property for purposes of Section 9 of Article III of the*  
9 *California Constitution, the “proceeds from the sale” for purposes*  
10 *of that section shall be the revenues from the sale in excess of the*  
11 *amount necessary to satisfy the total outstanding bonds on the*  
12 *Sacramento property, as required by paragraph (1).*

13 *(B) In order to facilitate the sale of the Sacramento property,*  
14 *the Department of General Services and the State Public Works*  
15 *Board may borrow from the General Fund an amount necessary*  
16 *to satisfy the total outstanding bonds. Any amounts loaned pursuant*  
17 *to this subparagraph shall be repaid from the proceeds of the sale*  
18 *of the Sacramento property.*

19 *(f) (1) The State Public Works Board may issue revenue bonds,*  
20 *negotiable notes, or negotiable bond anticipation notes pursuant*  
21 *to Chapter 5 (commencing with Section 15830) of Part 10b of*  
22 *Division 3 of Title 2 to finance the acquisition of land and facilities*  
23 *authorized in subdivision (b). The State Public Works Board and*  
24 *the Department of General Services may borrow funds for project*  
25 *costs from the Pooled Money Investment Account pursuant to*  
26 *Sections 16312 and 16313. If the bonds authorized by the project*  
27 *are not sold, the Department of General Services shall commit a*  
28 *sufficient amount of its support appropriation to repay any loans*  
29 *made for the project from the Pooled Money Investment Account.*  
30 *It is the intent of the Legislature that this commitment be included*  
31 *in future budget acts until outstanding loans from the Pooled*  
32 *Money Investment Account are repaid either through the proceeds*  
33 *from the sale of bonds or from an appropriation.*

34 *(2) The amount of revenue bonds, negotiable notes, or*  
35 *negotiable bond anticipation notes to be sold may equal, but shall*  
36 *not exceed the cost of acquisition, including land, construction,*  
37 *preliminary plans and working drawings, construction management*  
38 *and supervision, other costs relating to the design and construction*  
39 *of the facilities, and any additional sums to pay interim and*  
40 *permanent financing costs and costs to issue these bonds. The*

1 *additional amount may include interest and a reasonable required*  
2 *reserve fund.*

3 *(3) Notwithstanding Section 13332.11, the State Public Works*  
4 *Board may authorize the augmentation of the amount authorized*  
5 *pursuant to this subdivision by up to, but not exceeding, 10 percent*  
6 *of the amount specifically authorized.*

7 ~~(e)~~

8 (g) The Department of General Services shall be reimbursed  
9 for the department's costs pursuant to subdivision-~~(a)~~, (b), in an  
10 amount not to exceed three million dollars (\$3,000,000), from a  
11 loan of funds that are continuously appropriated pursuant to Section  
12 14957 and deposited into the Architecture Revolving Fund for  
13 repairs to the State Board of Equalization's headquarters building  
14 located at 450 N Street in the City of Sacramento. Any amounts  
15 loaned pursuant to this subdivision shall be repaid from the State  
16 Board of Equalization's operating funds within five years from  
17 the date those funds were borrowed. Interest charges shall be  
18 waived pursuant to subdivision (e) of Section 16314.

19 ~~(d)~~

20 (h) Notwithstanding subdivision (c) of Section 14682, the State  
21 Board of Equalization is authorized to relocate its offices from  
22 existing state-owned or state-leased facilities for the purpose of  
23 consolidating the State Board of Equalization headquarters and  
24 annexes into a single location without any obligation to pay rent  
25 on those facilities after vacating such premises.